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FM AMEMBASSY RANGOON

TO RUEHC/SECSTATE WASHDC IMMEDIATE 8479

INFO RUCNASE/ASEAN MEMBER COLLECTIVE

RUEHBY/AMEMBASSY CANBERRA 1678

RUEHBJ/AMEMBASSY BEIJING 2130

RUEHKA/AMEMBASSY DHAKA 5058

RUEHNE/AMEMBASSY NEW DELHI 5160

RUEHUL/AMEMBASSY SEOUL 8755

RUEHKO/AMEMBASSY TOKYO 6327

RUEHCN/AMCONSUL CHENGDU 1651

RUEHCHI/AMCONSUL CHIANG MAI 1957

RUEHCI/AMCONSUL KOLKATA 0499

RUEAIIA/CIA WASHDC

RUEATRS/DEPT OF TREASURY WASHDC

RUEKJCS/DIA WASHDC

RUEHGV/USMISSION GENEVA 4171

RHEHNSC/NSC WASHDC

RUEKJCS/SECDEF WASHDC

RUEKJCS/Joint STAFF WASHDC

RUCNDT/USMISSION USUN NEW YORK 2148

RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000947

SIPDIS

STATE FOR EAP/MLS, INR/EAP

DEPT PASS TO USDA

DEPT PASS TO USAID/AME, USAID/FFP, USAID/OFDA

PACOM FOR FPA

TREASURY FOR OASIA

E.O. 12958: DECL: 12/18/2018

TAGS: EAGR ECON EFIN PREL PGOV BM

SUBJECT: BURMA: GOB PLAYING GAMES WITH WFP LOCAL FOOD
PROCUREMENT

REF: A. RANGOON 874

1B. RANGOON 496

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

11. (C) The Burmese Government continues to send conflicting messages to the World Food Programme (WFP), granting it permission to resume local procurement of rice for its general feeding program, but attempting to force WFP to abide by GOB conditions for the procurement of rice for Delta recovery operations. WFP, which needs up to 9,000 metric tons of rice through April for the Delta, will likely rely on NGO partners to procure rice locally on its behalf.

Meanwhile, Kaye emphasized that the continued delay of the USAID Food for Peace (USAID/FFP) rice shipment for the Delta, now expected to arrive by the end of January, is exacerbating the current break in WFP's food pipeline. End Summary.

GOB Attempts to Control Terms of Rice Procurement

12. (C) The Burmese Government, expecting a rice surplus of more than 300,000 metric tons beginning in November, lifted its ban on rice exports early that month (Reftel). Seeking to capitalize on this GOB policy shift, WFP Country Director Chris Kaye subsequently met with the Ministers of Progress of Border Areas and National Races Development Affairs and Commerce (who oversee WFP's general feeding program and Delta operations, respectively) in mid-November to request

permission to resume local rice procurement. According to Kaye, both Ministers reacted positively, but noted that the decision would be made by more senior officials (i.e., the SPDC). To facilitate the decision, Kaye submitted official requests to both Ministries, as well as the Tripartite Core Group (TCG), on November 21.

¶13. (C) During a November 19 meeting with WFP officials in Rome, the Burmese Minister of Agriculture expressed support for WFP's resumption of local rice purchases and indicated GOB interest in WFP purchasing and exporting Burmese rice for its programs in Africa. Kaye received additional verbal confirmation from the Minister of Progress of Border Areas in late November that there were no barriers to WFP local procurement. Acting on the information, WFP opened tenders for rice procurement in late November for both its post-Nargis activities in the Delta and the general feeding program in other parts of the country under the Protracted Relief and Recovery Operation (PRRO). As of December 15, WFP had purchased 4,000 metric tons for the PRRO through the tender process.

¶14. (C) While the Ministry of Progress of Border Areas supported WFP's procurement, the Director General (DG) of Trade within the Ministry of Commerce, which oversees WFP's activities in the Delta, on December 12 sent Kaye a letter stating that WFP did not have authority to purchase local rice for its Delta program at its discretion. The letter explained that WFP would have to purchase rice from a GOB-designated trader at the GOB-set price of USD 280/metric ton. In response, Kaye requested a meeting with the Minister of Commerce and informed the TCG.

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¶15. (C) During a December 17 meeting, the Trade DG told Kaye that SPDC Secretary-1 Lt. General Thiha Thura Tin Aung Myint Oo had determined that WFP should procure rice for all programs through GOB-designated companies at a set price. The DG told Kaye the decision is not likely to be reversed. Kaye told us that as a matter of principle WFP will not buy rice from GOB-designated entities, even if the price they offer is reasonable (which is the case with the existing GOB offer); instead the organization will rely on its NGO partners to procure the necessary 9,000 metric tons of rice for the Delta on its behalf. WFP will "work under the radar" on Delta operations; for the PRRO, WFP will continue to buy rice through the tender process until told otherwise by the Ministry of Progress of Borders, Kaye added.

Delays in U.S. Rice Affecting WFP Operations

¶16. (C) Kaye told us that the USAID/FFP 14,000 metric ton rice shipment originally slated to arrive in late November has again been delayed; current ETA is January 22. Kaye reported that continued delays are exacerbating the break in WFP's food pipeline. He added that the arrival of imported rice at a time when Burma has a rice surplus it cannot unload could pose problems for WFP since the GOB is pressing WFP to purchase local rice at set prices from specified Burmese traders. According to Kaye, WFP has been unable to use some of the rice imported for the PRRO because the Trade Council refuses to give WFP permits to move the rice between States and Divisions. While he felt it unlikely the Trade Council, headed by Deputy Senior General Maung Aye (who allegedly ordered the ban on WFP local procurements in May -- Ref B), would prevent the movement of the USG-donated rice to the Irrawaddy Delta, Kaye could not rule it out.

VAJDA